



SCOTT FITZPATRICK MISSOURI STATE AUDITOR

City of St. Mary Investigative Summary

Summary of Significant Complaint(s) reported:

The State Auditor's Office received a complaint alleging the City of St. Mary improperly spent State and Local Fiscal Recovery Funds (SLFRF).

Background:

The City of St. Mary is located in Ste. Genevieve County. The city was incorporated in 1867 and is currently a 4th class city. The city's population was 309 in 2020, according to the U.S. Census Bureau. The City of St. Mary received \$69,816 between August 2021 and August 2022 from the SLFRF federal grant.

The U.S. Department of Treasury (Department) guidance¹ indicate the allowable uses for the SLFRF grant include:

- Replace lost public sector revenue;
- Support the COVID-19 public health and economic response;
- Provide premium pay for eligible workers performing essential work;
- Invest in water, sewer, and broadband infrastructure;
- Emergency disaster relief;
- Surface Transportation projects; or
- Projects eligible under Title I of the Housing and Community Development Act of 1974.

Methodology:

Our investigation included a review of applicable grant guidance, city bank records for accounts held between 2021 and 2024, city SLFRF Annual Compliance Reports for 2022-2025, and audited financial statements for the years 2019 through 2023.

Complaint Review:

Our review of city SLFRF funding and expenditures noted the city did not separately track the grant funding making it more difficult to ensure funds were spent appropriately; however, the city expended money in excess of the grant on eligible projects and reported those to the grantor agency.

The city initially deposited grant funding in the General Fund account and transferred the funds to various other accounts including the street, water, and sewer accounts. Because the city did not separately maintain the funds it was not able to easily track SLFRF receipts and disbursements. Bank records indicate city officials transferred some of the funds from the General Fund to the street account to pay back an interfund loan when the General Fund account was overdrawn and/or had insufficient funding for payroll.

¹ *Compliance and Reporting Guidance, State and Local Fiscal Recovery Funds*, September 23, 2025, <<https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>>, accessed February 12, 2026.

Also, the city initially reported expenditures that were unallowable to the U.S. Treasury Department. The city considered all of its SLFRF to be revenue replacement, which is allowable and grant guidance indicates recipients have "broad latitude" in using the revenue replacement funds. However, in 2022, the city reported using some funds for a police department radio system. The radios were purchased in 2020 and SLFRF guidance generally restricts funding use to expenditures after March 2021. In 2023, 2024, and 2025, the city reported using the same revenue replacement funding along with the 2022 allotment, for sludge removal, sewer projects and asphalt repairs completed after March 2021, totaling approximately \$70,500. The reported projects and replacement of lost revenue appear to be allowable uses of the grant. While grant funds did not go directly to the reported projects the projects were paid from funds the city deposited or transferred grant receipts into.

Additional Concerns:

We noted during the period reviewed (January 2021 - December 2022), the city overdrew its General Fund and Sewer Fund accounts and incurred \$868 in overdraft fees indicating city personnel did not appropriately monitor the city's cash balances. By reviewing and approving bank information the Board can help safeguard against possible loss or misuse of funds and prevent bank overdraft fees.

Conclusion:

The city did not separately track SLFRF funding and originally used the funding to offset shortfalls in city accounts. The city's failure to separately account for the funding made it difficult for it to ensure it used the grant appropriately and contributed to the city initially reporting ineligible expenditures to the grantor agency. Additionally, city officials did not properly monitor cash balances and allowed some accounts to be overdrawn.

We will close the investigation with recommendations to the Board to ensure future grant funding is separately tracked and accounted for, evaluate and document how projects meet grant requirements, and approve all grant expenditures to ensure funds are spent appropriately. The Board should also monitor account cash balances to avoid unnecessary overdraft fees and ensure funds are available to meet city needs.